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C O N F I D E N T I A L SECTION 01 OF 03 BAKU 000753

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TAGS: [AJ](#) [ENRG](#) [ETRD](#) [PGOV](#) [PREL](#) [RS](#) [TX](#)

SUBJECT: PRESIDENT ALIYEV: ON NAGORNO-KARABAKH,
"CONTINUATION OF TODAY'S FORMAT IS USELESS"

REF: BAKU 739

Classified By: Ambassador Anne E. Derse, per 1.4 (b,d).

¶1. (C) Summary: On June 13, a frustrated President Ilham Aliyev told the Ambassador his view of the unsuccessful Nagorno-Karabakh discussions on the margins of the St. Petersburg CIS Summit. He concluded that the Minsk Group format is "useless," and asked that the United States now impose a settlement on Armenia and Azerbaijan as, he believes, it has on the Balkans. Russian FM Lavrov told him that Russia will "most probably" recognize Abkhazian and South Ossetian independence should Kosovo gain independence. Aliyev believes that this will spark violence which could spread to Nagorno-Karabakh. Separately, President Aliyev was upbeat about his discussions with Turkmen President Berdimuhammedov concerning the possibility of transiting Turkmen gas through Azerbaijan. Aliyev also said he would take care of the problem of denied access by U.S. monitors to the corruption trial of former Minister of Economic Development Farhad Aliyev. Reftel discusses the President's views on missile defense and the Qabala radar station. End Summary.

Uncertain About How to Move Forward on NK

¶2. (C) President Aliyev initiated a conversation with the Ambassador about the Nagorno-Karabakh peace process and his recent meeting in St. Petersburg with the Armenian President. Aliyev commented that the St. Petersburg meeting accomplished nothing because the Armenian side walked away from all of the agreements it had made earlier on the principles of a settlement. "We were ready, but (Armenian President) Kocharian would not agree to one thing . . . He told me that he does not want to undertake the responsibility for this. 'Why should I do it, let the next president,'" recalled Aliyev. Aliyev warned that the next period potentially "moves us toward a dangerous scenario." He said that Kocharian did promise to consult his Prime Minister and report back to Minsk Group, but Aliyev thought this was unlikely to change Armenia's position.

¶3. (C) Aliyev said that there was now little hope that the Minsk Group process would produce a result and that "the continuation of the current format is useless." He asked that the United States "impose" the principles of a settlement on the two countries, as he believes it did in the case of the Balkans. Aliyev warned that the U.S. position on

Kosovo may fuel Armenian reluctance to move forward on the settlement on Nagorno-Karabakh. "Kocharian is waiting for a Kosovo resolution . . . Our cease-fire regime is fragile. I'm sure Russia will recognize Abkhazia . . . (Russian FM) Lavrov told me that Russia would most probably recognize Abkhazian and South Ossetian independence if Kosovo becomes independent," noted Aliyev. He said violence and separatism in Kosovo and the Caucasus provide for an understandable analogy. The Ambassador countered that the situation with respect to Kosovo differed; Yugoslavia had collapsed as a state and Kosovo had been under a UN mandate. In the Caucasus, the situation is not comparable. Aliyev repeated that he strongly opposes Kosovo independence because of its possible implications for Nagorno-Karabakh.

Turkmen Gas through Azerbaijan

14. (C) President Aliyev then commented on his first meeting with the new Turkmen President Berdimuhammedov on June 9 in St. Petersburg on the margins of the CIS Summit. "Berdimuhammedov is not different from other Central Asian leaders in style, appearance or logic. But he was very friendly," Aliyev remarked. On the question of a Trans-Caspian Pipeline, he had told Berdimuhammedov that Azerbaijan already had all of the infrastructure ready if and when Turkmenistan wanted to link the ACG and Petronas gas fields, effectively creating a Western export route for some Turkmen gas.

15. (C) Berdimuhammedov responded that this was "interesting" and that he would be considering this option. Aliyev said that he thought this deal would happen, but that it would not

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be called the Trans-Caspian Pipeline -- instead perhaps just the Caspian Pipeline. Berdimuhammedov also told Aliyev that Turkmenistan has resolved all of its transport problems. Aliyev took this to mean that the Turkmen and Russians have worked out their differences concerning use of Russian gas pipelines. Asked what the U.S. could do to support this process, Aliyev said that Berdimuhammedov told him about U.S. and European support for this export route and this clearly had influenced his thinking. Aliyev urged that the U.S. and the West continue to exhibit strong support for this option with Ashgabat.

16. (C) The two presidents also agreed to form a joint intergovernmental commission to discuss a range of bilateral issues, excluding Caspian demarcation. Turkmenistan agreed to reopen its embassy in Baku. President Aliyev told his Turkmen counterpart that he was ready to resolve the issue of an old Azerbaijani debt to Turkmenistan from the early 1990's that had been a sore point in the relationship. Finally, the two presidents agreed to solve other easier issues first before attempting to resolve Caspian demarcation. Aliyev told the Ambassador that he was working on a proposal to present to the Turkmen involving the resolution of the northern and southern parts of the disputed area of the Caspian Sea. The central area contains significant oil and gas deposits and therefore will be the hardest to settle. Aliyev reasoned that if the southern area could be resolved that this would effectively isolate Iran as the other littoral states would have agreed on demarcation of waters adjacent to Iranian waters and Iran would have to accept it.

Gas Supply to Greece

17. (C) The Ambassador briefed Aliyev on recent discussions in Athens with Ambassador Ries, U/S Burns and Greek energy officials (septel). Aliyev responded that Azerbaijan will deliver gas to Greece from the Turkish quota and may even have additional gas production to ship to Greece. He estimated that Azerbaijan will produce 16 billion cubic meters (bcm) (with 8 bcm from non-Shah Deniz production) next

year, which would represent a doubling of production from 2006-levels. He said that Azerbaijan may be able to supply Greece with domestic production that does not originate from the Shah Deniz field. He said that with the dramatic increase in non-Shah Deniz output, Azerbaijan has been able to provide for 70-75 percent of Georgia's gas demands this year. The Ambassador noted the great interest by Greece in importing Azeri gas and stressed the importance that Minister of Economic Development Heydar Babayev be equipped to respond to this interest when he travels to Greece for economic talks in July. Aliyev agreed.

Access to Farhad Aliyev Trial

18. (C) The Ambassador briefed the President on the difficulties the U.S. Embassy has had in gaining access to the corruption trial of the former Minister for Economic Development Farhad Aliyev. Aliyev reacted with a defensive question about why the U.S. was so interested in this case and not in the trial of former Minister of Health Ali Insanov. The Ambassador told him that the U.S. Embassy had monitored the Insanov trial, as well, and had initially been denied access to the trial as well, but the access issue had been resolved. Aliyev said he did not realize that the U.S. had sought to monitor both trials. He promised to check on this issue, then followed up by saying, "I will tell them."

Comment

19. (C) Aliyev was direct and animated in his frustration over the failed St. Petersburg talks and the futility, in his view, of the current process. He clearly felt that both sides had earlier agreed to basic principles and now Kocharian is backing away, emboldened by the prospect of Kosovo independence and Russian recognition of Abkhazian and South Ossetian independence. Aliyev repeatedly said that the U.S. was fueling this negative trend by its position on Kosovo independence. He recalled his judgment of months ago that Kocharian would not move before the Armenian elections.

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Aliyev's comments on gas production and transit confirm other statements by senior officials. The President's commitment to "tell them" about U.S. access to the Farhad Aliyev trial is encouraging. Embassy monitors continue to seek access daily.

110. (C) Comment Continued: In a separate June 14 meeting with the Ambassador and representatives of foreign embassies and international organizations on media freedom (septel), Presidential Chief of Staff Ramiz Mehdiyev underscored strongly and at length the GOAJ's frustration with the Minsk Group process and stressed to all Aliyev's appeal that a solution must be imposed.
DERSE